

Message Text

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11

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-10 ISO-00 SCEM-02 INT-08

AID-20 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01

TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01

OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03 H-03 DODE-00

PA-03 USIA-15 PRS-01 DRC-01 AF-10 /204 W

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R 020620Z OCT 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 7153

INFO AMEMBASSY ABU DHABI

AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: ENRG, EFIN, TC, JA

SUBJ: ABU DHABI OIL CO (JAPAN) REPORTEDLY PREPARED BUY
CRUDE WITH YEN.

REF: ABU DHABI 1347

1. JAPAN PRESS SEPT 27 CARRIED REPORTS SIMILAR TO REF
TEL DATE LINED THAT ABU DHABI GOVERNMENT (ADG) HAS
NEGOTIATED FOR OIL ROYALTY PAYMENTS FROM ABU DHABI OIL
CO. (JAPAN) (ADOC) TO BE MADE HENCEFORTH IN YEN. BASED
ON LOW KEY INQUIRIES, SOURCES SAID DETAILS REGARDING
NEW AGREEMENT WILL HAVE TO AWAIT RETURN TO JAPAN OF ADOC
NEGOTIATING TEAM.

2. INDUSTRIAL DEVELOPMENT BANK, WHICH IS BANKER FOR ADOC,
BELIEVED NEW AGREEMENT WOULD CALL FOR PAYMENTS OF
ROYALTIES AND INCOME TAXES HENCEFORTH TO BE MADE IN
YEN. (SO FAR THESE PAYMENTS HAVE BEEN SMALL SINCE ONLY
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TWO TANKERS OF OIL HAVE BEEN SHIPPED. SOURCES HAD NO

IDEA WHAT ADG MIGHT WISH TO DO WITH FUTURE YEN RECEIPTS.)
SOURCE SAID JAPAN BANKS NOT ANXIOUS TO INCREASE THEIR
FREE-YEN DEPOSITS SINCE THESE ARE GENERALLY EXPENSIVE
UNDER PRESNET FOREX AND BANKING REGULATIONS. IN SOME
CASES BANKS HAVE LEVIED CHARGES ON FREE YEN DEPOSITS
OF FOREIGNERS.

3. MOF PROBABLY WILL APPROVE ROYALTY AND TAX PAYMENTS
IN YEN BUT IN QUANDRY WHAT TO DO IF ADG PROTESTS
NECESSITY OF PAYING CHARGES ON FREE-YEN DEPOSITS.
MOF NOT YET WILLING TO LOOSEN THESE AND OTHER FOREX
CONTROLS WHICH WOULD PERMIT INFLOW OF FOREIGN FUNDS.
AT PRESENT GOJ MAINTAINS TIGHT SYSTEM OF CONTROLS ON
ALL FORMS OF FOREX INFLOWS, WHICH HAS FEW
IF ANY LOOPHOLES. IF RESERVES CONTINUE TO DECLINE
BECAUSE OF WEAKENING TRADE POSITION AND LARGE CAPITAL
OUTFLOWS MOF MAY BE MORE WILLING TO RELAX FOREX CONTROLS
AT AN EARLIER DATE. FINATT CONCLUDES FROM DISCUSSION
WITH MOF OFFICIALS (SHORT TERM CAPITAL DIVISION) THAT
MOF WOULD AMEND FOREX CONTROLS IF NECESSARY TO REACH
AGREEMENT WITH PRODUCING STATES ON EXPANDED OIL SUPPLIES,
WHICH IS SIGNIFICANT NATIONAL OBJECTIVE. QUESTION
IS WHETHER EXCEPTION FOR ONE COUNTRY MIGHT NOT LEAD TO
PRESSURES FROM OTHER COUNTRIES IN STRONG BARGAINING
POSITION WITH JAPAN. SHOULD OTHER COUNTRIES BEGIN TO
INSIST ON PAYMENTS IN YEN, GOJ WOULD THEN BE FACED WITH
DIFFICULTY OF ACQUIESCING TO USE OF YEN AS RESERVE
CURRENCY. THIS GOJ HAS BEEN ADAMANTLY UNWILLING TO DO
TO DATE.
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